

Cat models à la carte

In one of a series of four interviews with *The Insurer* over the Monte Carlo *Rendez-Vous*, senior representatives from Xceedance and ChainThat sat down with this publication to discuss what both firms have been up to since the reinsurance industry gathered on the Côte d'Azur 12 months ago and what is on the horizon for them

Rounding off the collaboration between *The Insurer* and Xceedance and ChainThat at this year's Monte Carlo *Rendez-Vous*, Xceedance board member Uday Virkud talks through on-demand cat modelling services and the value of the offering for the industry.

The typical way the industry uses cat modelling is through annual licences from modelling companies, allowing access to their models and platforms.

In conjunction with the Oasis Loss Modelling Framework (LMF), Xceedance is introducing a new way to gain access to cat models by teaming up with a group of global cat modellers.

These on-demand catastrophe modelling services are available on Oasis LMF, the not-for-profit company owned by close to 40 leading insurers, reinsurers, brokers and financial institutions.

This new service is modernising how the industry uses models, explained Uday Virkud, board member at Xceedance.

"On-demand cat modelling services are actually not very different from other service models in this day and age," he said. "Think about it: We are essentially Uber-ising cat modelling services."

The idea is simple: Xceedance offers exposure analysis services to (re)insurers using participating vendor models available on the Oasis platform. Interest in the community includes these modelling companies, with more expected: Ambiental, Applied Research Associates, CatRisk, COMBUS, CoreLogic, ERN/RED, Fathom, Impact Forecasting, and JBA Risk Management. Approximately 60 regional models are now available to (re)insurers on demand, and the number is growing.

This approach contrasts with companies using other model vendors, whose platforms are typically implemented in-house by insurance companies, requiring annual licensing costs as well as infrastructure costs, and staff support and training.

"Not everybody can afford the in-house cat modelling vendor licensing and platform approach," said Virkud. "There are many smaller

organisations or emerging MGAs, for whom the cost of in-house models is prohibitive. Even for some of the larger players, there may be regions or perils that are not readily available in their in-house modelling platforms. So, they have to look elsewhere for other model solutions."

He continued: "We are taking away much of the overhead associated with the typical modelling approach. The value of on-demand cat modelling services can be articulated in this way: In most cases, (re)insurers won't need to license the model, they won't need to train and hire people, and they won't have the infrastructure costs.

They just send Xceedance the information to be modelled.

Then, we'll work with the participant modellers on the Oasis platform and send back the report for a reasonable fee."

On-demand services are provided with the flexibility to choose diverse peril models.

A single analysis, or several analyses in bulk, can be requested.

"Any insurance industry client or company who wants to use and benefit from a model can just request it without contractual commitments, without a requirement to install the models, and without needing resources to drive or run the models," said Virkud. On-demand modelling has the potential to expand the universe of insurance organisations using modelling services.

"We believe there will always be a place for traditional modelling especially where there is a high volume with many users.

The on-demand service does not seek to disrupt the traditional approach," said Virkud.

"But many smaller companies cannot afford the traditional method because the costs for licensing and implementing the models are high.

This on-demand service provides accessibility to additional best-of-breed models available for global risk assessment and exposure management."

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Uday Virkud can be reached at contact@xceedance.com

